

The Power of Consistency: Enacting an EITC for Missouri's Working Families



Background

In July 2021, Missouri Governor Mike Parsons signed legislation to enact a state-level Earned Income Tax Credit (EITC), known as the Working Families Tax Credit. The legislation was the result of nearly 25 years of consistent advocacy by a broad coalition of local nonprofits, advocacy groups, business leaders, unions and others committed to creating an EITC for Missouri families. The new credit, which takes effect in 2023, is worth 10% of the federal credit and will rise to 20% if state revenues increase by \$150 million. The [Missouri Budget Project estimates](#) that the credit will benefit nearly 250,000 low- and middle-income families across the state, including 409,000 children, providing critical financial support for everyday needs as the economy continues to recover from the impacts of the COVID-19 pandemic.

Until the bill's passage, Missouri was one of only 20 states without a state-level EITC. The federal EITC is a powerful tool for boosting household incomes and states use it as a model for their own EITCs, supplementing what families receive from the federal credit. State EITCs benefit local economies, reduce poverty, and help children and families thrive. The majority of the 19 counties in Missouri where over 25% of taxpayers received a federal EITC in 2018 are in the southeastern region of the state, and these communities will see the greatest impact from the creation of the state credit.

Missouri's EITC was passed as part of the "[Wayfair Fix](#)," which gave the state the power to collect sales taxes from online out-of-state retailers. Missouri was the last state in the country to adopt the change, which will increase and stabilize state revenue at levels that opened the opportunity to also pass the EITC. Advocating for the EITC as an essential next step to making the Missouri tax code fairer helped coalition leaders garner lawmakers' support for the credit.

Campaign Structure and Strategy

Amy Blouin, founder and CEO of the Missouri Budget Project, began advocating for a state EITC in Missouri in 1996, informed by her own experience as a young mother whose federal EITC helped her afford her own family's essential needs. In 2003, she founded the Missouri Budget Project, which has maintained a state-level EITC as a key focus for 18 years.

Over the decades, Blouin and the Missouri Budget Project built a diverse coalition including organizations such as Greater St. Louis Inc. (the city's chamber of commerce), Kids Win Missouri, Vision for Children at Risk, Catholic Charities, and the Missouri chapter of the American Academy of Pediatrics. These advocates across the state were able to provide expert and lived perspective on the EITC's impact, from reducing child maltreatment rates to supporting local economies. The coalition maintained its involvement for many years, consistently promoting the message to lawmakers and partners that the EITC is a proven tax policy that helps families thrive. "Had we not been talking about the EITC for many years, the Wayfair bill would've passed, but it would've passed with dramatic tax cuts that really benefit wealthy people," Blouin said. "It wouldn't have been directed at working families."

A coalition toolkit helped partners engage with policymakers and stakeholders on the value of the EITC, providing messaging, district-level data, and other background materials.

While the Missouri coalition partners had varied experience working on tax policy, the Missouri Budget Project was able to provide background information on the credit's structure, value, and history. For partners who may not typically work on tax policy, feeling

prepared to explain the EITC's importance and how it would work at a state level was immensely valuable. Preparing partner organizations with the tools necessary to talk about how the EITC fits into the bigger picture of state tax policy, and particularly its connection to enacting the Wayfair Fix, made it easier for groups to engage on the EITC.

One of the strengths of the Missouri EITC coalition was the diversity of participating organizations. The EITC has a broad impact, ranging from reductions in child maltreatment to increased local spending. The groups involved in Missouri's coalition were able to apply their specific professional expertise to describe the value of the EITC, helping it to resonate with a range of lawmakers. For example, Rob Vescovo, the speaker of Missouri's House of Representatives, is particularly passionate about promoting children's welfare in the state. Vescovo was in foster care for over a year as an infant and improving the foster system and supporting children's health and safety are two of his top priorities. Several of the coalition's member organizations work to promote the health and well-being of children and were able to speak directly to how the EITC supports families.

While decades of building partnerships, educating lawmakers, and advocating for the EITC paid off in 2021, reaching this point did not happen without roadblocks. The coalition faced significant resistance to the credit over the years, which often focused on concerns about state revenue. "In many years, we didn't have the revenue for it," Blouin said, but including the credit in legislation to enact the Wayfair Fix resolved the revenue question. The Wayfair Fix is expected to generate between \$80 to \$120 million in annual revenue directed to the state's general fund, which offsets costs associated with the EITC. By supporting the two tax policies in tandem, the coalition reduced lawmakers' concern about the state budget.

The coalition also struggled to guarantee that legislation to create an EITC did not expand into legislation that would pass a bevy of tax cuts. There were years where EITC legislation seemed viable, but the coalition had

to remove its support when tax cuts were added that would have harmed the overall state budget, Blouin said. Moving forward, the coalition will continue to advocate for maintaining and eventually expanding the state EITC. "We don't feel like we're done yet, because this credit is non-refundable," Blouin said. Helping legislators understand the value of a refundable credit for families and local economies will be key to expanding the EITC.

Key Messages

The EITC provides a bottom-up tax cut for working families. The EITC reduces families' tax bills, providing a tax cut for the Missourians who need it most. The credit makes work pay, helping hardworking families spend less of their paycheck on taxes and more of it on their essential needs.

Families who receive the EITC spend it on basic necessities. The EITC puts money directly in working families' pockets. The average credit will be \$256 per year, which is equivalent to two weeks of food for a family of three, more than three months of diapers, and nearly 85 gallons of gas. Families are able to afford their basic needs, which are essential to success in work and life.

The EITC directly benefits local economies and businesses. Research [shows](#) that EITC recipients spend the credit in their local communities almost immediately, providing a boost to small businesses. Families spend their credit on basic necessities in their community, on food, childcare, and needed car repairs.

The EITC is proven to have long-term benefits for families and children's well-being. Research shows that the EITC is associated with [reductions](#) in child maltreatment and long-term benefits for children's [health](#). Children whose families [receive](#) the EITC have higher test scores, are more likely to graduate from high school, and receive higher earnings as adults.

— PARTNERS

American Academy of Pediatrics (Missouri chapter)

Catholic Charities

Greater St. Louis Inc.

Kids Win Missouri

Missouri Budget Project

Vision for Children at Risk